

Message Text

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ACTION ARA-14

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FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC PRIORITY 0379

C O N F I D E N T I A L KINGSTON 2804

E.O. 11652: GDS
TAGS: EINV, JM
SUBJECT: PROBLEMS OVER PRUDENTIAL GROUP'S POSSIBLE ACQUISITION OF
CONTROL OF MONTEGO FREEPORT

REFERENCE: KINGSTON 0957

SUMMARY

PROBLEMS RELATING TO PRUDENTIAL'S PLANS TO ACQUIRE CONTROL OF MONTEGO FREEPORT HAVE SURFACED (SEE REFTTEL) AND HAVE BEEN REPORTED IN THE PRESS. FORMER SECRETARY OF TREASURY, ROBERT B. ANDERSON, AND THE PRUDENTIAL GROUP WITH THE ENCOURAGEMENT OF THE GOVERNMENT OF JAMAICA, HAVE TAKEN STEPS TO RESOLVE THESE PROBLEMS. (END OF SUMMARY).

2. ON SATURDAY, MARCH 18, THE STAR REFERRED TO "A STORM BREWING OVER ATTEMPTS BY AN AMERICAN FIRM (THE PRUDENTIAL GROUP) OPERATING OUT OF NEW YORK TO WREST CONTROL OF MONTEGO FREEPORT. THE CHAIRMAN OF MONTEGO FREEPORT WAS TONY HART, A JAMAICAN CITIZEN, QUOTED AS SAYING THERE WAS NOTHING ILLEGAL ABOUT PRUDENTIAL'S BID AND THAT WHETHER PRUDENTIAL WAS SUCCESSFUL DEPENDED UPON FREEPORT'S STOCKHOLDERS, INCLUDING SOME 300 AMERICANS WHO HELD THE MAJORITY OF SHARES. HART, WHO HAS HELD THAT POSITION FOR ELEVEN YEARS, ALSO STATED THAT HE WOULD RESIGN IMMEDIATELY IF
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PAGE 02 KINGST 02804 232200Z

PRUDENTIAL WERE SUCCESSFUL.

3. RELATIONS BETWEEN HART AND PRUDENTIAL, CORDIAL AND CLOSE UNTIL RECENTLY, HAVE, ACCORDING TO NATHAN SHIPPEE, PRESIDENT OF THE PRUDENTIAL GROUP, RECENTLY BEEN STRAINED BECAUSE OF QUESTIONS BEING RAISED BY PRUDENTIAL CONCERNING THE FINANCIAL STATUS OF MONTEGO FREEPORT. SHIPPEE REFERRED

TO THIS PROBLEM IN A CONFIDENTIAL MEETING WITH THE AMBASSADOR
AND EMBASSY STAFF.

4. FORMER U.S. SECRETARY OF THE TREASURY ROBERT B. ANDERSON
AND SHIPPEE ARE ANXIOUS TO AVOID CONFRONTATION AND HAVE
FRANKLY DISCUSSED THE SITUATION WITH PRIME MINISTER MANLEY
AND MINISTER OF INDUSTRY AND COMMERCE, DANNY WILLIAMS.
WILLIAMS ENCOURAGED PRUDENTIAL TO ATTEMPT TO RESOLVE ANY
PROBLEMS AMICABLY AND SUGGESTED THAT ANDERSON MIGHT FIND
IT USEFUL TO TALK WITH HART.

5. ANDERSON SUBSEQUENTLY CALLED THE AMBASSADOR TO REPORT
THAT HE HAD TALKED WITH HART AND THAT IT APPEARED AS IF
A SOLUTION WOULD BE REACHED, WITH HART SELLING OUT UNDER
GENEROUS TERMS.

6. COMMENT: ANDERSON'S REPORT TO THE AMBASSADOR SUGGESTS
THAT ARRANGEMENTS ARE UNDERWAY TO AVOID THE THREATENED
STORM. HOWEVER, SUBSEQUENT DISCLOSURES OF THE FREEPORT'S
FINANCIAL SITUATION COULD PROVIDE MATERIAL FOR
DISAGREEABLE CONTROVERSY. WHAT THE PROBLEMS ARE, IF
ANY, AND HOW PRUDENTIAL DECIDES TO HANDLE THEM, REMAIN TO BE
SEEN.
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